AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Department of the Interior
National Park Service
CONSOLIDATED BALANCE SHEET
As of September 30, 1999 (in thousands)

ASSETS	
Entity Assets	
Intragovernmental	
Fund Balance with Treasury (Note 2)	$ 1,554,629
Investments (Note 3)	3,382
Accounts Receivable, Net (Note 4)	15,233
Advances to Others (Note 6)	19,749
Other Assets (Note 7)	11,128
Governmental	
Accounts Receivable, Net (Note 4)	6,761
Loans Receivable (Note 5)	5,757
Advances to Others (Note 6)	688
Cash (Note 8)	319
General Property, Plant and Equipment, Net (Note 9)	782,871
Land (Note 10)	0
Total Entity Assets	2,400,517
Non-Entity Assets	
Receipts Transferred to Treasury (Note 11)	10,585
Accounts Receivable, Net	601
Total Non-Entity Assets	11,186
TOTAL ASSETS	**$ 2,411,703**

The accompanying notes are an integral part of these financial statements.

Department of the Interior
National Park Service
CONSOLIDATED BALANCE SHEET
As of September 30, 1999 (in thousands)

LIABILITIES	
Entity Liabilities	
Liabilities Covered by Budgetary Resources	
Intragovernmental	
Accounts Payable (Note 12)	$ 10,201
Advances Due to Others (Note 13)	113,754
Other Liabilities (Note 14)	4,556
Governmental	
Accounts Payable (Note 12)	42,750
Advances Due to Others (Note 13)	19,921
Accrued Payroll and Benefits	59,041
Total Entity Liabilities Covered by Budgetary Resources	250,223
Liabilities Not Covered by Budgetary Resources	
Unfunded Accrued Annual Leave	67,409
Federal Employee Benefits (Note 1.L)	158,969
Contingent Liabilities (Note 15)	16,345
Total Entity Liabilities Not Covered by Budgetary Resources	242,723
Non-Entity Liabilities	
Receipts Transferred to Treasury (Note 11)	10,585
Accounts Payable	1
Total Non-Entity Liabilities	10,586
TOTAL LIABILITIES	**503,532**
NET POSITION	
Unexpended Appropriations (Note 16)	966,870
Cumulative Results of Operations	941,301
Total Net Position	1,908,171
TOTAL LIABILITIES AND NET POSITION	**$ 2,411,703**

The accompanying notes are an integral part of these financial statements.

Department of the Interior
National Park Service
CONSOLIDATED STATEMENT OF NET COST
For the Year Ended September 30, 1999 (in thousands)

COSTS

Operations of the National Park Service	$ 1,336,509
Less: Earned Revenues	(23,014)
Net Program Costs	1,313,495
Construction	249,803
Less: Earned Revenues	(78,996)
Net Program Costs	170,807
Trust Funds	30,800
Less: Earned Revenues	(57)
Net Program Costs	30,743
Fee Collection and Demonstration	68,190
Less: Earned Revenues	(158,470)
Net Program Costs	(90,280)
Operations and Maintenance of Quarters	14,000
Less: Earned Revenues	(14,854)
Net Program Costs	(854)
Historical Preservation	36,357
Less: Earned Revenues	(101)
Net Program Costs	36,256
Other	6,489
Less: Earned Revenues	(1,746)
Net Program Costs	4,743

The accompanying notes are an integral part of these financial statements.

Department of the Interior
National Park Service
CONSOLIDATED STATEMENT OF NET COST
For the Year Ended September 30, 1999 (in thousands)

COSTS *(continued)*

Other Program Costs	
Heritage Assets	15,800
Land Acquisition	66,320
National Recreation and Preservation	43,218
Fire and Emergency Operations	50,938
Disaster and Flood Relief	1,427
Urban Park and Recreation	560
Job Corps	13,813
Total Other Program Costs	192,076
Costs not Allocated to Programs	
Depreciation Expense	83,498
Interest Expense	252
Other Expenses not Requiring Budgetary Resources	360
Financing Imputed for Cost Subsidies	63,980
Losses on Disposition of Assets	2,663
Changes in Actuarial Liability	11,021
Bad Debt Expense	(121)
Total Unallocated Costs	161,653
NET COST OF OPERATIONS (Note 17)	**$ 1,818,639**

The accompanying notes are an integral part of these financial statements.

Department of the Interior
National Park Service
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 1999 (in thousands)

Net Cost of Operations	$ (1,818,639)
Financing Sources:	
Appropriations Used	1,927,876
Imputed Financing	63,980
Nonexchange Revenue	14,523
Other Financing Sources (Note 18)	52,391
Tranfers — In	3,877
Transfers — Out	(48,220)
Net Results of Operations	195,788
Prior Period Adjustments (Note 19)	(192,550)
Invested Capital Adjustment and Other Changes	(2,441)
Net Change in Cumulative results of Operations	797
Increase in Unexpended Appropriations	27,189
Change in Net Position	27,986
Net Position — Beginning of Period	1,880,185
Net Position — End of Period	$ 1,908,171

The accompanying notes are an integral part of these financial statements.

Department of the Interior
National Park Service
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 1999 (in thousands)

BUDGETARY RESOURCES	
Budget Authority (Note 20)	$ 2,086,629
Unobligated Balances — Beginning of Period	578,253
Net Transfers Prior Year Balance, Actual	519
Spending Authority From Offsetting Collections	320,977
Adjustments	(319)
TOTAL BUDGETARY RESOURCES	$ 2,986,059
STATUS OF BUDGETARY RESOURCES	
Obligations Incurred	$ 2,062,958
Unobligated Balances — Available	909,323
Unobligated Balances — Unavailable	13,778
TOTAL STATUS OF BUDGETARY RESOURCES	$ 2,986,059
OUTLAYS	
Obligations Incurred	$ 2,062,958
Less: Spending Authority From Offsetting Collections and Adjustments	(329,347)
	1,733,611
Obligated Balance, Net - Beginning of Period	660,006
Less: Obligated Balance, Net - End of Period (Note 21)	(690,202)
TOTAL OUTLAYS	**$ 1,703,415**

The accompanying notes are an integral part of these financial statements.

Department of the Interior
National Park Service
CONSOLIDATED STATEMENT OF FINANCING
For the Year Ended September 30, 1999 (in thousands)

OBLIGATIONS AND NONBUDGETARY RESOURCES		
Obligations Incurred	$ 2,062,958	
Less: Spending Authority from Offsetting Collections and Other Budgetary Adjustments	(329,347)	
Financing Imputed for Cost Subsidies	63,908	
Nonexchange Revenue Not in the Budget	14,523	
Exchange Revenue Not in the Budget	(137,183)	
Transfers	(44,343)	
Other	1,892	
Total obligations, as adjusted, and nonbudgetary resources		$ 1,632,408
RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS		
Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided	74,515	
Cost Capitalized on the Balance Sheet	199,819	
Financing Sources That Fund Costs of Prior Periods	(192,550)	
Other	(4,083)	
Total Resources That Do Not Fund Net Cost of Operations		77,701
COSTS THAT DO NOT REQUIRE RESOURCES		
Depreciation and Amortization	83,498	
Other	(265)	
Total Costs That Do Not Require Resources		83,233
FINANCING SOURCES YET TO BE PROVIDED		25,297
NET COST OF OPERATIONS (Note 17)		**$ 1,818,639**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The National Park Service (NPS) is responsible for promoting and regulating designated areas within the National Park System. The NPS is also responsible for conserving the scenery, historical objects, and wildlife so that they may be enjoyed by future generations.

The Director of the NPS is responsible for administrative oversight and policy of the NPS, including authority over money or other budget authority made available to the NPS.

In fulfilling its mission, the NPS administers a variety of funds:

General Funds. These funds include: (1) receipt accounts used to account for collections not dedicated to specific purposes and (2) expenditure accounts used to record financial transactions arising under Congressional appropriations or other authorizations to spend general revenues. NPS's principal general funds are:

- Operation of the National Park Service
- National Recreation and Preservation
- Construction

Trust Funds. These funds are established to account for receipts held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute. The principal trust funds are:

- Donations
- Birthplace of Abraham Lincoln
- Construction

Deposit Funds. These funds are established to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, when proper distribution can be made.

Special Funds. These funds consist of appropriated funds from prior year receipts and separate receipt and expenditure accounts established to account for receipts of the government that are earmarked by law for a specific purpose but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. The principal special funds are:

- Land Acquisition and State Assistance
- Historic Preservation
- Quarters, Operation and Maintenance
- Grant Administration
- Fee Collection and Demonstration Activity Support

The accompanying financial statements have been prepared from NPS's consolidated standard general ledger. Included are all funds and accounts under the control of the NPS and allocations from other federal agency appropriations transferred to the NPS under specific legislative authority.

B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, financing, and budgetary resources of the National Park Service as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements have been prepared from the books and records of NPS in accordance with generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB), the Office of Management and Budget (OMB) and NPS accounting policies which are summarized in this note. These financial statements present proprietary and budgetary information while other financial reports also prepared by NPS pursuant to OMB directives are used to monitor and control the NPS' use of budgetary resources.

The financial statements should be read with the realization they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so.

The accounting structure of Federal government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

C. Revenues and Other Financing Sources

NPS receives the majority of its required funding to support its programs through appropriations authorized by Congress. The NPS receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. The NPS receives transfers of appropriated and trust funds from other agencies to support various ongoing program requirements.

Donated funds, reimbursements and grantor's requests, consistent with legislative authority, are available to the NPS when received. The NPS has legislative authority to collect revenues through User Charges, for a variety of activities that may or may not recover the full cost of the service. However, prices based on full cost in some activities would reduce the quantity of services, therefore, any difference between revenue received and higher prices would not provide an indication of lost revenue. Revenues from the rental of government-owned quarters to NPS employees are used to operate and maintain these quarters.

Through special legislation, the NPS is authorized to establish/increase recreation use fees, which are not intended to recover the full cost of the service. The laws mandate the use of a portion of these fees collected from park visitors for the following:

Public Law 103-66 gives NPS the authority to establish an available receipt account, and retain and obligate up to 15 percent of recreation fees collected in a given year. In Fiscal Year 1999 revenues totaling $1 million was transferred from the recreation use fee account to the available receipt account for park use to defray the costs associated with the collection of those fees (e.g., to pay fee collectors, maintain collection stations, etc.).

Public Law 104-134 gives NPS authority through Fiscal Year 2001 to allow 100 demonstration sites to experiment with new or increased recreation fees. Parks participating in the demonstration program have until Fiscal Year 2004 to spend at least 80 percent of the revenues collected at the site to help address unmet needs for visitor services, repairs and maintenance, and resource management. The remaining 20 percent can be spent at the discretion of the agency. During Fiscal Year 1999 recreation fees totaling $142.9 million was transferred to an available receipt account and allocated to the participating parks in accordance with authorizing legislation.

Public Law 105-391 gives NPS permanent authority to spend 100 percent of revenues collected for Concession Franchise Fees. Parks collecting these revenues are now authorized to use 80 percent of the collected revenues for concession related expenditures. The remaining 20 percent can be spent at the discretion of the agency. During FY 1999, revenues collected for Concession Franchise Fees totaled $14.6 million.

D. Funds with the U.S. Treasury and Cash

NPS maintains all cash accounts with the U.S. Treasury, except for its Imprest Fund accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The balance in Treasury represents the unexpended balances of appropriation accounts, transfer accounts, deposit funds, and trust funds in NPS accounts which are available to pay current liabilities and to pay outstanding obligations. Note 2 provides additional details about the NPS Fund Balance with Treasury.

NPS obtains additional fund balances through reimbursements for services performed for other federal agencies and non-federal users. NPS recovers amounts for services provided to non-federal users on a full cost basis except for certain costs, such as the portion of retirement costs administered by the Office of Personnel Management. NPS reconciles fund balances with Treasury on a monthly basis. All cash differences are reconciled at the appropriation level and at the Agency Location Code (ALC) level. Differences are researched and adjustments to correct these differences are reported to Treasury each month on the Statement of Transactions (SF-224).

E. Accounts Receivable

Accounts receivable consist of amounts owed to the NPS by other federal agencies and amounts owed by the public. NPS establishes an allowance amount for reporting purposes based on an analysis of outstanding receivable balances. Note 4 provides additional details about accounts receivable.

F. Property, Plant, and Equipment

NPS is authorized to purchase structures and equipment under a number of appropriations to facilitate the administration of the NPS and to preserve natural and cultural resources. Policy and procedures for depreciation and capitalization of property, plant, and equipment are discussed in further detail in Note 9.

G. Land

NPS determined that all land purchased and administered meets the criteria for stewardship land as defined in SFFAS Number 6, *Accounting for Property, Plant and Equipment*, and therefore has assigned no value to land. The Stewardship and Heritage summary is included in the supplemental section of this report.

H. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the NPS as the result of a transaction or event that has already occurred. However, no liability can be paid by the NPS unless Congress and the President authorize payment via an appropriation. These statements include liabilities for which an appropriation has not been enacted, or those not covered by budgetary resources, as unfunded liabilities, for there is no certainty that an appropriation will be enacted.

I. Contingencies

Contingent liabilities are recorded in the accounting records when the event potentially leading to the recognition of a liability is probable, and a reliable estimate of the scope of the potential liability is available. See Note 15 for additional information regarding contingent liabilities.

J. Personnel Compensation and Benefits

Earned annual leave is included in personnel compensation and benefits. Annual leave is funded from current appropriations when used. NPS recognizes an unfunded liability for earned but unused annual leave. As unused leave is used in the future, financing will be obtained from the then-current appropriations. NPS expenses sick and other types of leave when used but does not accrue the costs of this leave as it is earned.

K. Retirement Plans

NPS employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The NPS makes matching contributions to CSRS, but does not report CSRS assets, accumulated plan benefits, or unfunded liabilities applicable to its employees. This information is reported by the Office of Personnel Management (OPM).

FERS became effective on January 1, 1984, pursuant to Public Law 99-335. Most NPS employees hired after December 31, 1983, are automatically covered by FERS and Social

Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

L. Federal Employee Benefits

SFFAS No. 5, Accounting for Liabilities of the Federal Government requires that the financial report recognize a pension expense that equals the service cost for its employees, less the amount contributed by the employees for the accounting period. The NPS is reporting a liability of $158,969,332 for Federal Employees' Compensation Act Actuarial for FY 1999. The unfunded imputed pension expenses of $63,980,426 were paid by the administrative entity, which is the OPM. This figure was computed using the following three tables:

	1999 Basic Pay	Net Rate	Employer's Pension Expense
CSRS	$163,926,118	10.20%	$16,720,464
CSRS (Law Enforcement)	20,557,479	25.00%	5,139,370
CSRS & FICA (CSRS Offset)	17,345,800	11.50%	1,994,767
CSRS & FICA (Law Enforcement)	2,041,168	27.40%	559,280
FERS + FICA	225,509,689	.10%	225,510
FERS + FICA (Law Enforcement)	56,695,655	0	0
FICA	76,354,689	0	0
NONE	490,313	0	0
Other DC Park Police	10,655,728	0	0
Rehired Annuitants	0	0	0
Total	$573,576,639		$24,639,391

	Average Number of Employees	Rate per Employee	Estimated Imputed Retirement Health Cost
Health Benefit Cost	14,374.25	$ 2,731	$39,256,077

	Amount	Rate	Estimated Imputed Retirement Life Insurance Cost
Life Insurance Cost / 14,606 Employees	$424,791,385	0.02%	$84,958
Total Imputed Cost			$63,980,426

M. Income Taxes

As an entity of the U.S. Government, NPS is exempt from all income taxes imposed by any governing body, whether it be federal, state, local, foreign government, or a Commonwealth of the United States.

N. Special Concession Accounts

As of September 30, 1999, the National Park Service had approximately 88 concession agreements which, besides the fee revenue provided for by these contracts, the contractual agreements contain provisions which provide for the establishment of escrow-type accounts to be used to develop, improve, and maintain visitor facilities. These "Special Account" funds are maintained in separate interest-bearing bank accounts of the concessionaires. The concessionaire periodically deposits a percentage of gross revenue in the account as provided in the concessionaire agreement. While the funds may be disbursed only by approval of the concessionaire and the park superintendent, they are normally intended, according to the contractual arrangements, to be used to improve or maintain the facilities used by the concessionaire to provide services to visitors.

At this time, there are differing interpretations as to the extent of the Service's jurisdiction over these funds, and the related receipts and expenditures. Specifically, the Office of Management and Budget and the Department of the Treasury have required that these accounts be included in Federal Government budgetary reporting. However, it is the opinion of the Solicitor of the Department of the Interior that

"The funds contained in Concession Improvement Accounts…are owned by the concessionaire and are not receipts of the United States. Expenditure of such funds by the concessionaire are private expenditures, not governmental expenditures."

Therefore, the balances, inflows, and outflows of these Special Accounts are not reflected in the financial statements of the National Park Service. As of September 30, 1999, the concessionaires reported that the Special Accounts totaled approximately $44.1 million.

Note 2. Fund Balance with Treasury

Cash receipts and disbursements are processed by the Treasury. The fund balance with Treasury represents all unexpended balances in the NPS accounts at Treasury, the amount for which NPS retains the right to draw on the Treasury for allowable expenditures. Note 1. E. provides additional information on Funds with the U.S. Treasury and Cash. The balance on the financial statement at September 30, 1999 is $1,554,629 (in thousands).

Note 3. Investments

The Lincoln Farm Association established an endowment for the maintenance of Abraham Lincoln Birthplace in accordance with 16 U.S.C. 211. The amount of the fund is currently $65,000, which is invested in a 30-year U.S. Treasury Bond. The NPS receives earned interest semi-annually which is used for the maintenance and upkeep of the historical site. Investments also include $3,316,707 for the Oklahoma City Trust.

Note 4. Accounts Receivable, Net of Allowance

The reported amount for total Accounts Receivable, Net consists of moneys owed to the NPS from other federal agencies and the public. A breakdown as of September 30, 1999, follows (dollars in thousands):

	Federal	Public
Accounts Receivable, Billed	$ 5,239	$ 7,580
Allowance for Doubtful Accounts	0	(863)
Net Accounts Receivable, Billed	5,239	6,717
Accounts Receivable, Unbilled	9,994	645
Total Accounts Receivable, Net	$ 15,233	$ 7,362

Federal receivables are primarily attributable to cost associated with reimbursable construction activity. Approximately 15 percent (9% billed and 6% unbilled) of the public receivable amount is attributable to reimbursable activity. This reflects a 50 percent decrease from the amount of debt in this category last year. The decline is the result of a concerted effort to comply with the Office of Management and Budget's (OMB) requirement to obtain advance funding on all public reimbursable projects. The remaining 85 percent classified as billed receivables represent debts incurred by NPS current and former employees, concessionaires, and other public vendors.

During FY 1999, the Service continued to progress towards full compliance with the Debt Collection Improvement (DCIA) Act of 1996. A large portion of our resources were devoted to developing and maintaining a tracking system for transferring delinquent debt to Treasury's Cross Servicing Program. The Service is working with Treasury to develop a more comprehensive and efficient debt status reporting process.

In November of FY 1999, NPS's personnel and pay function, administered by the Payroll Operations Division (POD) of the National Business Center was converted to the Federal Personnel Payroll System (FPPS). Accommodating this change required revising our internal processes for administering current employee and former employee debt. With the implementation of FPPS, a Departmental initiative to consolidate the collection of employee debt at POD was also accomplished. To date it appears that these initiatives were successful and are expected to have a positive impact on NPS's collection rate.

The NPS delinquency rate continues to decline annually and this trend is expected to improve during FY 2000. In addition to the two major initiatives above we have also focused on improving internal processes. A high priority has been assigned to the expansion of current collection methods and increasing communication with Field Offices. Because NPS is a large organization, which employs a decentralized approach to managing debt, both initiatives are important in continuing this positive trend.

In support of expanding NPS collection methods, a pilot program designed to evaluate the feasibility of the Pre-Authorized Debit (PAD) program as a collection mechanism was tested during FY 1999. PAD allows NPS to deduct funds directly from a debtor's bank account. The Grand Canyon National Park served as the pilot site. They identified multiple benefits of using PAD and gave it a very favorable evaluation. This process has the potential to be very beneficial in collecting debt of a recurring nature. A number of NPS programs, characteristically lend themselves to collecting in this manner. The Plastic Credit Card Network Program (PCCN) represents another collection mechanism which has experienced significant and sustained growth in the number of locations equipped to accept credit cards. Expansion of the PCCN program is expected to have a positive impact on debt collection.

Unbilled accounts receivable are recognized for expenses incurred by NPS under reimbursable authority that have not been billed to reimbursable customers.

Note 5. Loans Receivable

Pursuant to Wolf Trap Farm Park Act (16 U.S.C. 284c(b)), the Wolf Trap Foundation for the Performing Arts and the NPS amended their Cooperative Agreement to set up a repayment schedule of "Loan Principle" to the Foundation totaling $8,560,226 authorized by the Act of November 28, 1990 (P.L. 101-636: 104 Stat. 4586). The "Loan Principle" shall be repaid to the NPS within 25 years from the date of the Amendment. The "Loan Principle" will be repaid in equal annual installments, except that the first three annual payments will be $215,000. Repayment of the "Loan Principle" may include a credit of up to $60,000, annually, for public service tickets given to entities exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986. The monies received for repayment may be retained until expended by the Secretary in consultation with the Foundation for the maintenance of structures, facilities, and equipment of the park.

Note 6. Advances to Others

As of September 30, 1999, there were outstanding federal advances of $19,748,800 to the U.S. Department of Transportation and the Federal Highway Administration under an Interagency Agreement for work to be performed at Yosemite National Park.

The reported public amount advanced by the NPS to other entities is comprised of travel advances and grant advances.

- As of September 30, 1999, there were outstanding travel advances of $233,418.
- The remainder of NPS advances include salary advances to Job Corps students and to support the NPS grants program. The NPS disburses grants to states, territories, and Indian tribes to facilitate the accomplishment of its overall mission. Typically, these grant funds are advanced to these other entities, which in turn disburse funds to vendors.

Note 7. Other Assets

This amount represents Contract Authority from the Department of Transportation, and the Federal Highway Administration to cover NPS contractual obligations in advance of appropriation for road construction in the parks. Funds will be transferred from the Federal Highway Administration to NPS upon request to cover pending expenditures.

Note 8. Cash

The reported amount is the total for the NPS imprest funds, or "petty cash," held by imprest fund cashiers at NPS field units throughout the country. The NPS continues to reduce the cash held in imprest funds through better cash management initiatives such as Third Party Drafts and VISA/IMPAC credit cards. Additional information on these initiatives is provided in the Financial Management Performance Section of this report.

Note 9. Property, Plant, and Equipment, Net of Depreciation

In FY 1996, the NPS developed and implemented procedures for the accountability of fixed assets that adheres to the principles outlined in SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Included are capitalization criteria and thresholds for completed construction projects that distinguish between operational and heritage assets, and four asset classes for the depreciation of these assets. Assets in service prior to FY 1996 are depreciated with a useful life of 20 years and a straight line method of depreciation.

At the end of FY 1998, NPS analyzed the Construction-in-Progress (CIP) account and determined that the account was overstated for financial reporting purposes. A change in accounting policy to expense heritage and stewardship costs as incurred and the failure to submit completion reports in a timely manner were the main causes of the overstatement. With additional analysis, the NPS identified potential Installation Wide Project Numbers (IWPNs) that may have been completed but lacked the supporting documentation, and heritage assets or non-federal property that should be expensed as incurred. Based on the analysis and best information available, NPS adjusted its FY 1998 financial statements to reflect changes to the CIP account and any offsetting accounts. Since that time, the Accounting Operations Center (AOC) has issued supplemental procedures and periodic reports to the parks/offices to assist the field in preparing and forwarding to AOC the supporting documentation required to accurately account for these assets.

In April 1999, the Comptroller of the NPS tasked a group of senior level financial personnel representing each regional Office, the Denver Service Center (DSC), Harper's Ferry Center (HFC), and the AOC for a six month project to verify the FY 1998 adjustments and ensure all costs for completed IWPN's are posted to the appropriate asset or expense account, along with all depreciation expenses. Because construction funding and costs are tracked by the IWPN, NPS uses the IWPN as a unit of decision for capitalization and may not capitalize or expense an asset until the entire IWPN is complete. The AOC used the documentation gathered during this exercise to properly reflect the CIP account and all related fixed assets and expenses. On projects that we have not received adequate supporting documentation to determine the appropriate accounting treatment, AOC applied the accounting concept of conservatism and expensed those costs. In FY 1999, CIP was reduced by $118,118,000 and distributed to fixed assets or expenses accordingly.

At the end of FY 1998, the NPS converted to the Fixed Asset Subsystem for all capitalized and accountable equipment. In the one year we have been on the system, we have seen significant changes in the NPS equipment balances and the corresponding accumulated depreciation account. This is a direct result of being better able to capture and track the data and the change in depreciation schedules that allow us to more accurately reflect useful life.

NPS uses the straight-line method of depreciation for real property placed in service during FY 1996 and thereafter, with useful life varying within four distinct asset classes of 15, 20, 27, and 40 years. The capitalization threshold for real property is set at $500,000. NPS uses the straight-line method of depreciation and useful life based on the Federal Supply Code for equipment, with a capitalization threshold of $5,000. A breakdown of fixed asset categories with corresponding depreciation is shown in the table below (in thousands):

Asset Category	Cost	Accumulated Depreciation	Current Year Depreciation	Net Value
Buildings	$ 365,269	$ (125,875)	$ (26,002)	$ 239,394
Structures/Facilities	382,600	(156,524)	(24,350)	226,076
Equipment	341,157	(207,401)	(33,118)	133,756
Construction-in-Progress	183,536	0	0	183,536
Data Processing Software	412	(303)	(28)	109
Total	$ 1,272,974	$ (490,103)	$ (83,498)	$ 782,871

Note 10. Land

Consistent with SFFAS Number 6, *Accounting for Property, Plant and Equipment*, all Service land is "stewardship land," or land that was acquired for public enjoyment and resource protection. This standard defines stewardship land as land that is not purchased for or in connection with general Property, Plant, and Equipment (i.e., purchased for or in connection with other assets that: a) could be used for alternative purposes, b) are primarily used in business-type activities, and c) are used in activities whose costs can be compared to other entities). In adopting this standard, the NPS removed all land balances from their respective general ledger accounts. The Land Program Office in Washington, D.C., continues to maintain the official records of NPS land purchases. A stewardship report with federal and non-federal acreage is provided in the supplemental section of this report.

Note 11. Receipts Transferred to Treasury

The reported amount of receipts transferred to Treasury consists of recreation, entrance, and user fees collected at many of the parks. These fees are returned to Treasury at the end of the fiscal year. With the continued expansion of the Fee Demonstration Program, in which receipts are retained by NPS, there was a significant reduction in fees returned to Treasury.

Note 12. Accounts Payable

The reported amount for Accounts Payable includes liabilities to other federal agencies and to the public. Amounts owed for goods and services received by NPS total $52,950,948 and include contract holdbacks of $1,326,111.

Note 13. Advances Due to Others

The reported amount includes advances to the NPS from other federal agencies and from the public for a total of $133,674,535. Of this amount, $83,990,917 is deferred credits for the purchase of land with Title V monies and the balance is for payments received for reimbursable agreements for state-federal-academic partnerships in research and graduate education for the management of natural resources, etc.

Note 14. Other Intragovernmental Liabilities

The reported amount consists of the balances in the NPS suspense account. NPS uses this account to temporarily hold non-NPS cash, funds pertaining to performance bonds, and unidentified collections. This account is analyzed monthly and as transactions are identified, the cash is either transferred to the appropriate NPS account or refunds/payments are made to the appropriate parties.

Note 15. Contingent Liabilities

Environmental

The National Park Service (NPS) is subject to loss contingencies pursuant to environmental laws and regulations that currently, and in the future, will require the NPS to take action to correct or ameliorate the effects on human health and the environment from releases of contaminants by the NPS or other parties. Contingencies may exist for various types of sites, including, but not limited to: (1) hazardous substance contaminated sites governed by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); (2) waste storage, treatment and disposal facilities governed by Subtitle-C of the Resource Conservation and Recovery Act (RCRA); (3) leaking underground storage tanks governed by Subtitle-I of RCRA; (4) proper closure and clean up of solid waste landfills governed by Subtitle-D of RCRA; and (5) abandoned mining lands. The abatement of lead-based paint and asbestos is not considered as part of these contingencies.

The NPS has identified 156 sites within 70 park units potentially impacted by petroleum or hazardous substance releases. At present, approximately 58 percent of these sites are governed by RCRA and 42 percent of these sites are governed by CERCLA. Response activities at these sites include: site characterization and sampling; risk assessment; removal of the contaminant source; treatment and/or containment of contaminated water and soil; and ongoing monitoring.

The NPS analyzed its environmental cleanup liability in the aforementioned regulatory areas for FY 1999. Based upon this work, and applicable accounting guidelines, the NPS reports a total future liability of $6,125,200, of which $5,587,200 constitutes the estimated cost of cleanup at sites for which the NPS has liability or shared liability, and $538,000 constitutes the cost of future studies at such sites. In addition, there are some sites for which the NPS has liability or shared liability for which the ECL is not reasonably estimable at this time. With respect to these sites, the NPS discloses the possibility of liability in the range of $400,000 to $5,600,000.

	RCRA-I	RCRA-D	RCRA-C	CERCLA	TOTAL
Future Liability	$ 5,222,200	$ 0	$ 15,000	$ 350,000	$ 5,587,200
Cost of Study	$ 463,000	$ 0	$ 50,000	$ 25,000	$ 538,000
TOTAL	$ 5,685,200	$ 0	$ 65,000	$ 375,000	$ 6,125,200

Based on FY 1996 data the NPS Abandoned Mineral Lands (AML) program developed cost estimates based on an ongoing NPS wide inventory containing 3,000 abandoned mines (of all types) and 727 abandoned oil and gas wells (of which 51 are abandoned with no identifiable owner." These estimates do not reflect the 3 million acres added to the System in the California Desert Protection Act of 1994, or other additions/expansions since 1994 that could contain AML sites. At this time, the NPS has no legal liability for the cleanup of these AML sites, and thus no dollar amount was recorded in the NPS's financial statements for these sites.

Judgments and Claims

The NPS is a defendant in a number of lawsuits where the plaintiff is seeking monetary damages. In the opinion of NPS management and legal counsel, a reasonable estimate of the potential liability of these is $10,220,000. There are two reasonably possible claims with a payout range of $500,000 to $119,000,000 which would be paid through the Department of the Treasury judgment fund.

Subsequent to the end of the fiscal year, a fire in Bandelier National Monument spread to surrounding areas, including Los Alamos, New Mexico resulting in significant property loss. Investigations are being conducted. The results of the investigations are not available and potential financial implications on the federal government are not known.

Note 16. Unexpended Appropriations

The reported figure is comprised of the following amounts (in thousands):

Unobligated	
Available	$ 348,484
Unavailable	13,713
Undelivered Orders	604,673
Total Unexpended Appropriations	$ 966,870

Note 17. Gross Cost and Earned Revenue by Budget Functional Classification

The reported figures are comprised of the following amounts (in thousands):

Functional Classification	Gross Cost	Earned Revenue	Net Cost
Natural Resources and Environment	$ 2,076,051	$ 277,765	$ 1,798,286
Transportation	18,567	952	17,615
Education, Training, Employment, And Social Services	2,721	1	2,720
Community and Regional Development	21	3	18
TOTAL	$ 2,097,360	$ 278,721	$ 1,818,639

Note 18. Other Financing Source

The reported amount is Title V monies of which $42,074,083 was used for the purchase of land and $10,316,422 was used to make computer programs Y2K compliant.

Note 19. Prior Period Adjustment

The prior period adjustment of $192,549,818 for depreciation and expensing construction projects consists of projects completed but not meeting the established capitalization requirements, and capitalized projects completed in prior fiscal years with accumulated depreciation being recorded as prior period expense. Construction projects both over and under the NPS capitalization threshold level can span multiple fiscal years until completion and final acceptance. Additionally, it is not until completion that the final supporting documentation is prepared as to the primary purpose or use of the asset.

Note 20. Budget Authority

The intra-agency transactions have not been eliminated on the Combined Statement of Budgetary Resources. The reported figure is comprised of the following amounts (in thousands):

Appropriations	$ 1,963,811
Contract Authority	14,725
Transfers, Net	108,093
Total Appropriations	$ 2,086,629

Note 21. Obligated Balance, Net End of Period

The reported figure is comprised of the following amounts (in thousands):

Accounts Receivable	$ 19,158
Unfilled Customer Orders	32,182
Undelivered Orders	(636,215)
Accounts Payable	(105,327)
Total Obligated Balance, Net	$ (690,202)

Note 22. Operating Expenses

Operating expenses by object classification allocated to programs are provided below (in thousands):

Object Classification	
Personnel Compensation and Benefits	$ 1,045,152
Contractual Services	371,207
Grants, Subsidies, and Contributions	96,892
Supplies and Materials	115,166
Rent, Communications, and Utilities	83,420
Travel and Transportation	62,866
Equipment, Land, and Structures	153,722
Printing and Reproduction	5,881
Job Corp	14,409
Contingent Liabilities	0
Other	64,340
Total	$ 2,013,055